

## Message Text

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INFO OCT-01 ISO-00 CIAE-00 PM-04 H-02 INR-07 L-03 NSAE-00

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 0371

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

DIA

USMISSION NATO

USCINCEUR, VAHINGEN, GERMANY

AMCONGEN NAPLES

USDOCOSOUTH

SHAPEUSNR

AMCONGEN MILAN

C O N F I D E N T I A L SECTION 1 OF 2 ROME 16279

E.O. 11652: GDS

TAGS: PINT, IT

SUBJ: ANDREOTTI CONFRONTS PCI PARLIAMENTARY POWER

US DOCOSOUTH FOR INTAF

SHAPEUSNR FOR POLAD

SUMMARY. LAST WEEK SAW THE ANDREOTTI GOVERNMENTS IN ITS FIRST OPEN CLASH WITH THE PCI OVER THE ISSUE OF PARLIAMENTARY CONTROL OVER EXECUTIVE AUTHORITY. AS THE DUST SETTLES, A BETTER PICTURE HAS EMERGED OF THE EXTENT TO WHICH THE MINORITY GOVERNMENT'S ACTIONS IN THE FUTURE WILL BE CONDITIONED BY THE PCI THROUGH THE PARLIAMENTARY PROCESS. IN THE POLITICAL SPARRING, ANDREOTTI WAS AT FIRST SORELY WOUNDED, PROMPTING HIM TO BEAT AN UNSEEMLY, PROMPT RETREAT. IN LESS THAN 24 HOURS, HOWEVER, HE EMERGED FROM BEHIND THE TELEVISION CAMERAS WHICH HAD BEEN HASTILY SUMMONED TO PALAZZO CHIGI ON FRIDAY EVENING AS A MARKEDLY STRENGTHENED POLITICAL

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PERSONALITY. THE CONTRETEMPS DRAMATIZED, HOWEVER, A

POLITICAL FACT OF LIFE THAT HAS PREVAILED SINCE THE MINORITY GOVERNMENT'S FORMATION LAST AUGUST--THAT AS ITS PRICE FOR SUPPORTING THE MONOCOLORE, THE PCI IS DETERMINED TO SHIFT FISCAL AND ECONOMIC DECISION-MAKING AS MUCH AS POSSIBLE TO PARLIAMENT (WHERE ITS DISCIPLINE OVER ATTENDANCE PROVIDES THE PARTY WITH POWER AND CONTROL THAT EXCEEDS THE PCI'S ALREADY SIZEABLE NUMERICAL STRENGTH). END SUMMARY.

1. THE EVENTS OF THE PAST WEEK WERE BRIEFLY AS FOLLOWS: THE SEPTEMBER 29 SESSION OF THE INTER-MINISTERIAL COMMITTEE ON ECONOMIC PLANNING (CIPE) AUTHORIZED THE INTER-MINISTERIAL COMMITTEE ON PRICES (CIP) TO DETERMINE PRICE INCREASES ON FERTILIZER, MEDICINES, METHANE AND SOME PETROLEUM PRODUCTS (EXCEPT GASOLINE). DESPITE CIP'S CLEAR AUTHORITY, THE PCI (AND PSI) IMMEDIATELY CHALLENGED THE GOVERNMENT'S ABILITY TO PROCEED ACCORDING TO THE "OLD METHODS". IN A MENACING ARTICLE IN UNITA, FOLLOWED BY A FORMAL AND UNCOMPROMISING PCI SECRETARIAT STATEMENT, THE PCI EMPHATICALLY DENIED CIP'S AUTHORITY TO DETERMINE PRICES UNTIL PARLIAMENT'S VIEWS COULD BE TAKEN INTO ACCOUNT. ANDREOTTI REACTED IMMEDIATELY IN AN 11 PM STATEMENT SEPT. 30 AGREEING TO DEFER THE PRICE INCREASES UNTIL THEY COULD BE EXAMINED AND DISCUSSED IN PARLIAMENT.

2. IN EFFECT, THE PCI HAD CALLED A CARD THAT ANDREOTTI HAD ALREADY PLAYED LAST AUGUST WHEN HE CONSULTED WITH THE POLITICAL PARTIES AND TRADE UNIONS ON HIS GOVERNMENT'S PROPOSED ECONOMIC PROGRAM. AT THAT TIME, ANDREOTTI CONCEDED THAT PRICING WAS TOO IMPORTANT AN ISSUE NOT TO COME UNDER "THE CONTINUOUS CONTROL OF PARLIAMENT" AND SAID HIS GOVERNMENT WOULD RECOMMEND ESTABLISHMENT OF A "SPECIAL PARLIAMENTARY COMMITTEE" TO PROVIDE GUIDELINES ON PRICING. THIS PRIOR AGREEMENT MAY WELL HAVE PROMPTED ANDREOTTI'S PRECIPITOUS RETREAT ON THE PRICING ISSUE. HOWEVER, SINCE IN THE ABSENCE OF ANY NEW MECHANISM FOR PARLIAMENTARY CONTROL ON PRICES THE CIP STILL ENJOYS CLEAR AND UNAMBIGUOUS AUTHORITY TO SET ADMINISTRATIVE PRICES, THE ISSUE COULD NOT HAVE BEEN PLAYED OUT MORE INEPTLY BY THE GOVERNMENT. IT IMMEDIATELY RAISED THE DISTURBING QUESTION OF WHETHER A BASIC CHANGE HAD OCCURRED ("A CONSTITUTIONAL NOVELTY" IN THE VIEW OF ONE COMMENTATOR) IN WHICH THE GOVERNMENT HAD BECOME THE MORE EXECUTIVE ARM OF A CONTROLLING PARLIAMENT.

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3. IN AN INTERVAL OF LESS THAN 24 HOURS, ANDREOTTI REBOUNDED IN AN UNUSUAL AND MASTERFULLY COMPOSED TELEVISED APPEAL TO THE NATION TO SUPPORT THE AUSTERITY MEASURES HIS GOVERNMENT WOULD INTRODUCE IN THE "UNPLEASANT WEEK AHEAD," ANDREOTTI'S DECISION TO UTILIZE THAT DAY'S EMERGENCY MEASURES TO CONTROL THE FURTHER COLLAPSE OF THE LIRA IN ORDER TO DIRECT A BROAD APPEAL TO THE PUBLIC, THE POLITICAL PARTIES, AND THE TRADE UNIONS TO JOIN IN

A SPIRIT OF SACRIFICE AND RESPONSIBILITY WAS A BOLD POLITICAL STROKE. IN THE VIEW OF THE CORRIERE DELLA SERA, "FOR THE FIRST TIME, IN FACT, A GOVERNMENT LEADER SUCCEEDED IN MAKING HIMSELF ACCEPTABLE AND EVEN IN MANY CASES TO EVOKE SYMPATHY AND AGREEMENT BY ANNOUNCING SOMETHING UNPLEASANT." ANDREOTTI'S SUCCESS LAY IN HIS ABILITY TO PRESENT DIFFICULT ECONOMIC CONCEPTS IN TERMS WHICH THE PEOPLE COULD UNDERSTAND AND ACCEPT. THE FOLLOWING DAY'S TELEVISED MAN-IN-THE-STREET INTERVIEWS WERE REVEALING IN THAT NOTWITHSTANDING A CERTAIN AMOUNT OF GRIPING, THEY ABOVE ALL DEMONSTRATED CLEAR ADMIRATION FOR THE WAY ANDREOTTI HAD PRESENTED THE PROBLEM. ANDREOTTI'S POPULAR SUCCESS SHOULD STRENGTHEN HIS HAND IN GETTING HIS ANNOUNCED PROGRAM ENACTED.

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4. ANDREOTTI'S SPEECH LEFT NO DOUBT, HOWEVER, THAT HIS GOVERNMENT--BASED ON "MORE ABSTENTIONS THAN VOTES"--IS COMMITTED TO CLOSE CONSULTATION WITH "THE POLITICAL FORCES AND THE TRADE UNIONS." EARLIER IN THE DAY, HE HAD IN FACT MET WITH THE PCI (IN A HIGHLY PUBLICIZED CALL BY BARCA AND NAPOLITANO AT PALAZZO CHIGI) AND CONSULTED WITH THE OTHER PARTIES AND TRADE UNIONS. NO NONE HAS

YET SAID WHAT TRANSPIRED AT THESE MEETINGS. DID ANDREOTTI ADVISE THEM OF HIS PROPOSALS OR SEEK THEIR AGREEMENT? AT A MINIMUM, IT IS CLEAR THAT ANDREOTTI HAS COMMITTED HIS GOVERNMENT TO CONSULT PARLIAMENT (APPARENTLY THROUGH THE PARLIAMENTARY COMMITTEES) BEFORE AUTHORIZING CIP (AND THE AUTONOMOUS ENTITIES SUCH AS THE PPT AND RAILWAYS) TO DECIDE ON SPECIFIC PRICES AND RATES. THUS, ON OCTOBER 5 THE SENATE BUDGET COMMITTEE IS EXPECTED TO AGREE TO THE FERTILIZER INCREASES SOUGHT BY THE GOVERNMENT, AND ON OCTOBER 7 THE SENATE INDUSTRY COMMITTEE WILL TAKE UP THE GENERAL ISSUE OF RATE AND PRICE INCREASES IN THE INDUSTRIAL SECTOR.

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5. REACTIONS TO LAST WEEK'S EVENTS HAVE FOLLOWED A FAIRLY PREDICTABLE PATTERN. DC SPOKESMEN EMPHASIZE THAT NOTHING HAS CHANGED: THE DC WILL CONTINUE TO ENGAGE THE PCI IN AN OPEN AND "CORRECT" CONFRONTO. THE COMMUNISTS AND SOCIALISTS ANNOUNCED THEIR FULL SUPPORT OF ANDREOTTI'S "POLICY OF SACRIFICE" PROVIDED THAT PARLIAMENT IS CONSULTED CLOSELY IN THE ELABORATION OF THE OVERALL, COHESIVE ECONOMIC PROGRAM. SOCIAL DEMOCRATS (PRETI) EXPRESSED FEAR, HOWEVER, THAT THE CONSULTATIVE PROCESS WILL DANGEROUSLY SLOW ENACTMENT OF EMERGENCY MEASURES. THE HARSHTEST CRITICISM CAME FROM THE LIBERALS WHO HAVE ACCUSED ANDREOTTI OF ENGAGING IN HIDDEN UNDERSTANDINGS WITH THE PCI. THE REPUBLICANS LAMENT THAT THE MEASURES ARE "TOO LITTLE TOO LATE" BUT PLEDGE THEIR "FULL RESPONSIBILITY" IN WORKING WITH THE GOVERNMENT.

6. IN CONCLUSION, IT IS APPARENT THAT THE PCI FORCED THE ISSUE OF THE GOVERNMENT'S AUTHORITY TO ESTABLISH PRICES IN ORDER TO ASSERT THE PRINCIPLE OF PARLIAMENTARY CONTROL AND COORDINATION. IT IS IN PARLIAMENT THAT THE PCI CAN EXERCISE A DEGREE OF POWER AND AUTHORITY WHICH, GIVEN ITS DISCIPLINE OVER ATTENDANCE, EXCEEDS ITS SIZEABLE NUMERICAL STRENGTH ALONE. THE PCI SUCCEEDED IN OBTAINING THE RIGHT TO BE CONSULTED EVEN IN AREAS WHICH HAD FORMERLY BEEN WITHIN THE GOVERNMENT'S EXECUTIVE AUTHORITY. IT IS FAR FROM SETTLED, HOWEVER, THAT BY AGREEING TO ASCERTAIN PARLIAMENT'S VIEWS BEFOREHAND, ANDREOTTI CEDED TO PARLIAMENT THE AUTHORITY TO ESTABLISH PRICE POLICY OR SET INDIVIDUAL RATES. THE EVIDENCE CONTINUES TO SUGGEST THAT THE GOVERNMENT WILL INSIST ON MAKING THESE DECISIONS. THUS, THE GOVERNMENT HAS ALREADY ANNOUNCED THAT THE COUNCIL OF MINISTERS WILL CONSIDER PART OF THE NEW ROUND OF PRICE INCREASES ANNOUNCED IN ANDREOTTI'S SPEECH IN ITS NEXT SESSION, OCTOBER 8, FOR SUBSEQUENT ENACTMENT BY CIP.VOLPE

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